

— CONFIDENTIAL
TREATMENT REQUESTED

HEALTHSOUTH Corporation

Meeting of the Corporate Compensation Committee

July 25, 2002

Minutes

A Meeting of the Compensation Committee of the Board of Directors of HEALTHSOUTH Corporation (the "Corporation") was held at the Corporation's offices in Birmingham, Alabama on July 25, 2002.

The following members were present: Larry D. Striplin, Jr., Phillip C. Watkins, M.D., and John S. Chamberlin. The following guests were also present: Brandon O. Hale, Executive Vice President, Administration and Secretary of the Corporation and William W. Horton, Executive Vice President and Corporate Counsel of the Corporation. Messrs. Hale and Horton were present in the Corporate office and all others participated via a telephonic connection.

Mr. Striplin acted as Chairman of the Meeting and Mr. Hale acted as Secretary.

Mr. Striplin called the meeting to order at 9:03 AM CDT.

The purpose of the Meeting was for the Compensation Committee of the Board of Directors to consider Mr. Scrushy's request to repay the principal amount of his loan under the 1999 Executive Equity Loan Plan by transferring to the Company HEALTHSOUTH shares with a value equal to the principal amount. The accrued interest on the loan was paid in cash by Mr. Scrushy in June 2002.

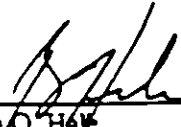
Mr. Horton advised the Compensation Committee that Mr. Scrushy's request to repay the principal amount of his loan with this transaction would require the Committee's ratification. Mr. Horton further advised the Committee that the transaction would accomplish three significant things. It would satisfy Mr. Scrushy's loan and eliminate the last significant loan under the 1999 Plan to an executive officer, it would allow the Company to acquire over two million shares as a part of the buyback effort without any additional cash outlay and it would likely reduce the depressive effect that would result if Mr. Scrushy sold shares for cash in a down market.

The Committee members agreed that the repayment of Mr. Scrushy's loan would be a positive event and that they should consider approval to repay the loan by transfer of stock back to the Company in an amount equal to the principal amount. After discussion among the Committee Members and Mr. Horton regarding the effective date of the transfer of shares back

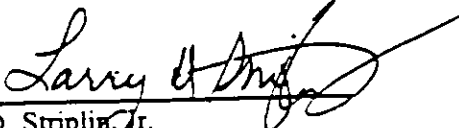
CONFIDENTIAL

TREATMENT REQUESTED

to the Company and the method for determining the share price for the transfer the Committee decided not to act upon the request until Mr. Striplin had an opportunity to discuss these issues with Mr. Scrushy. The Committee agreed to reconvene at a later date.



Brandon O. Hale
Executive Vice President, Administration
and Secretary



Larry D. Striplin, Jr.
Chairman, Compensation Committee
of the Board of Directors

HHEC 18-01842